

A Project proposal of FRE SKINCARE Ltd. to
Enter the Chinese Market

Achieving leadership in China Sports Skincare Market

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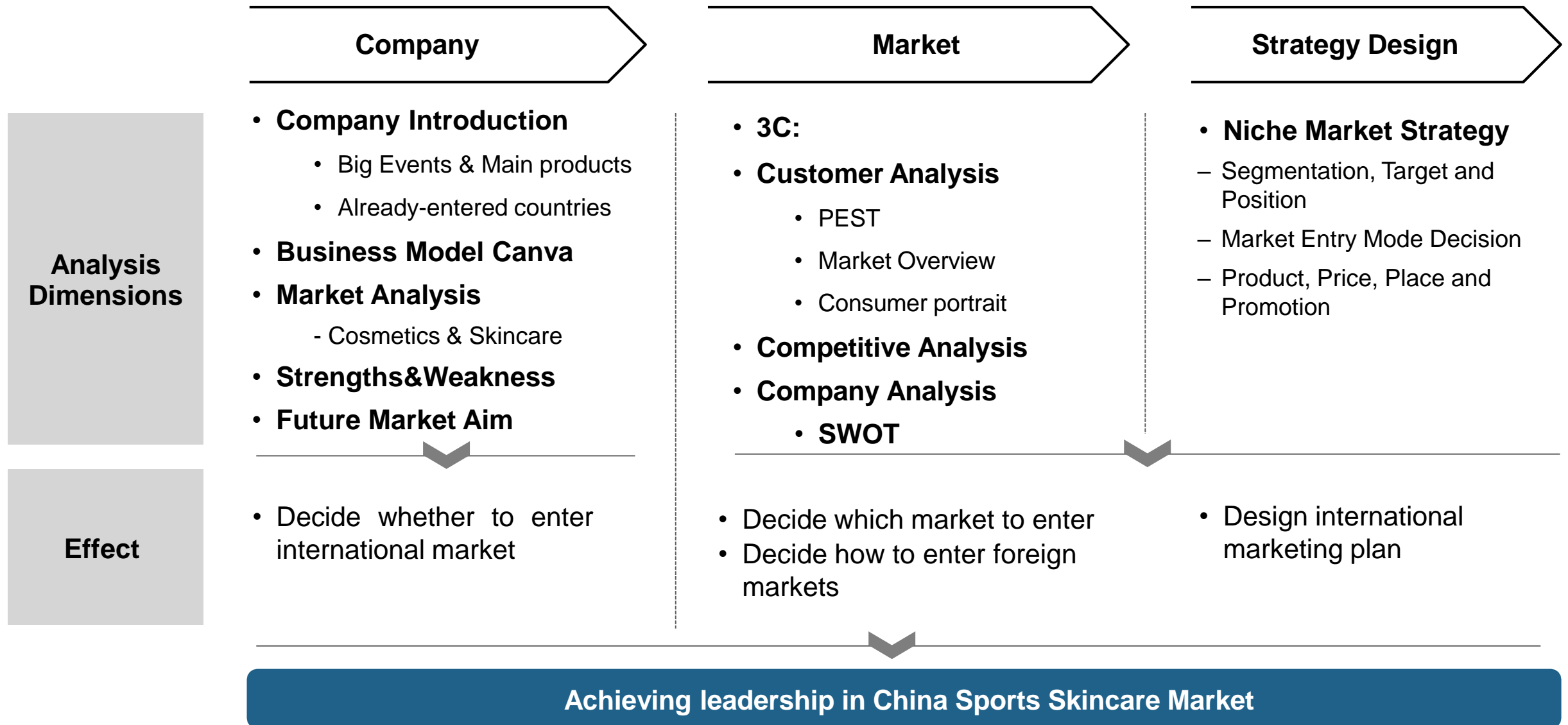
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Executive Summary



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A. Part 1: Company Analysis – FRÉ

- *Introduction of FRÉ*
- *Why FRÉ and market entry decision?*
- *Problem & Market entry aim*



1 Introduction of FRÉ and its main product



Big events	Date
<ul style="list-style-type: none">On a Tel Aviv beach, an idea of FRÉ was born. <i>“Women who love to sweat and move deserve their own skincare brand!”</i>	Sep. 2014
<ul style="list-style-type: none">FRÉ SKINCARE LTD., founded by Michael Azoulay and Mickael Bensadoun <i>“FRÉ has emerged out of admiration for active women, through a willingness to promote authentic beauty in motion, a drive to refresh the skincare industry and express positive social values all over the world”</i>	2015
<ul style="list-style-type: none">FRÉ renewed all of the packaging and upgraded to more sustainable materials	2021
<ul style="list-style-type: none">FRÉ has now opened up the market in 51 countries and regions, except for mainland China	Until now

2 Introduction of FRÉ and its main product

Three Product Lines

XXX ME



**RECOVER ME,
PROTECT ME,
DETOX ME,
PURRIFY ME...**

Meet specific needs of customers by adding specific active ingredients, enhancing the effect of sun protection, recover, purify...

I AM XXX



**I AM LOVE, I AM
PURE, I AM JOY...**

Co-created with Talia Sutra, the I AM xxx is the simple, 100% natural and powerful daily routine that covers all skincare needs.

Save on sets



**The 123FRÉ set, I
am set, The Detox
set, The Recover
set, The age well
set...**

Sell products in a set at a cheaper price to get consumers into the habit of daily skin care.

Product Features



• Professional

- ✓ Natural ingredient
- ✓ Unique Patent: Argania Active Complexin partnership with the Dead Sea Arava Science Center



• Special Daily Life Scenes

- ✓ Use after intense exercise
- ✓ There are special travel sets for easy portability

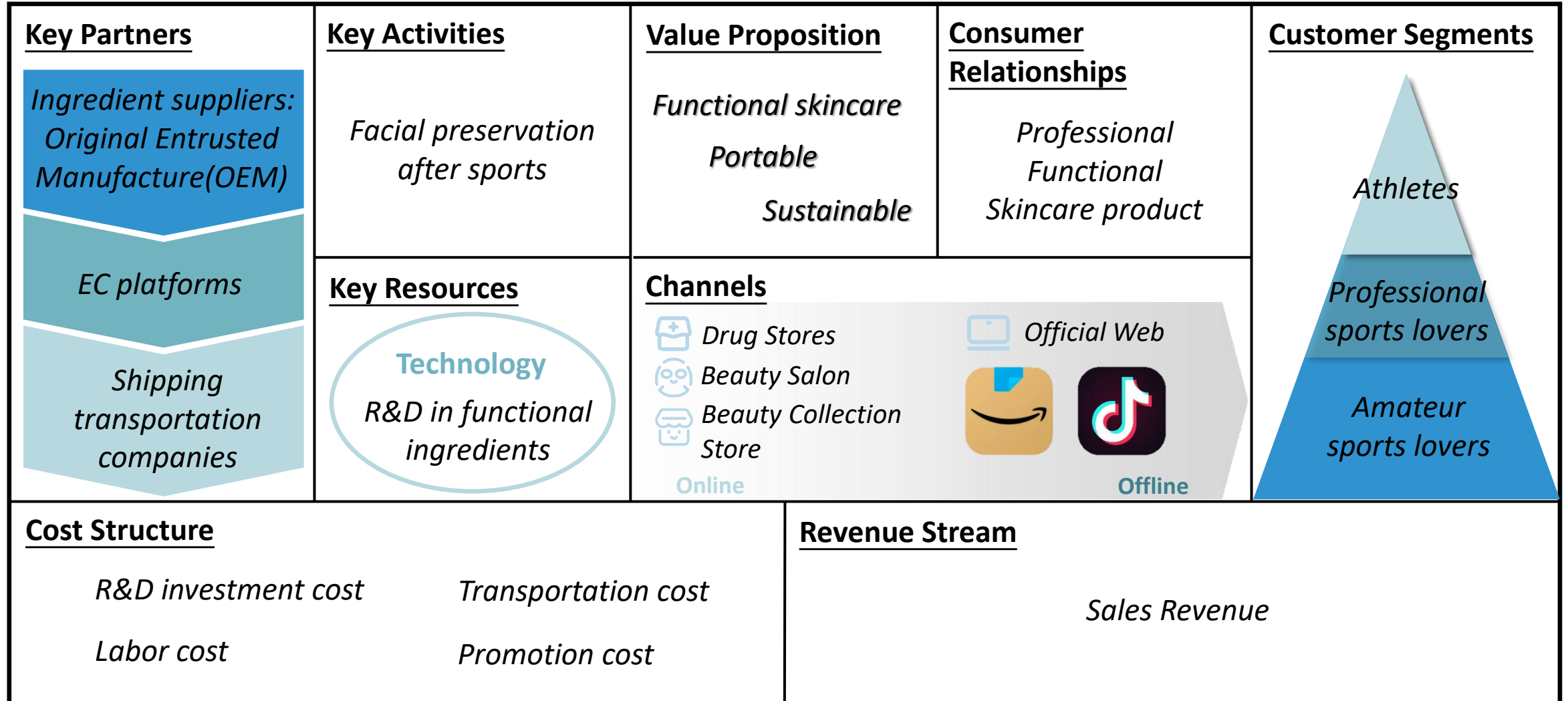


• Corporate Social Responsibility

- ✓ With every skincare set being purchased, FRÉ plants an argan "Tree of Life" in Morocco.

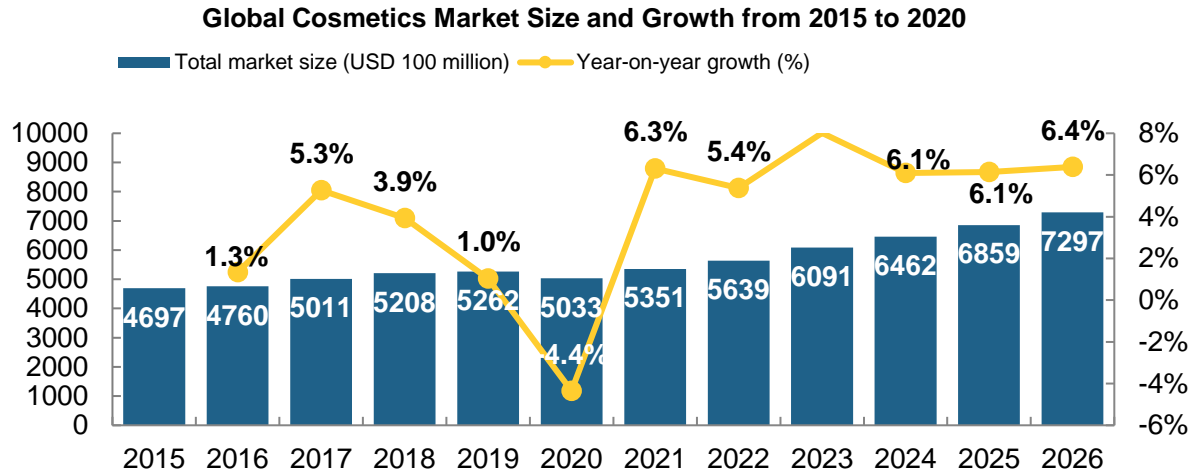
Enough product features and differentiation to enter the mainland China market

Business Model Canva of FRÉ

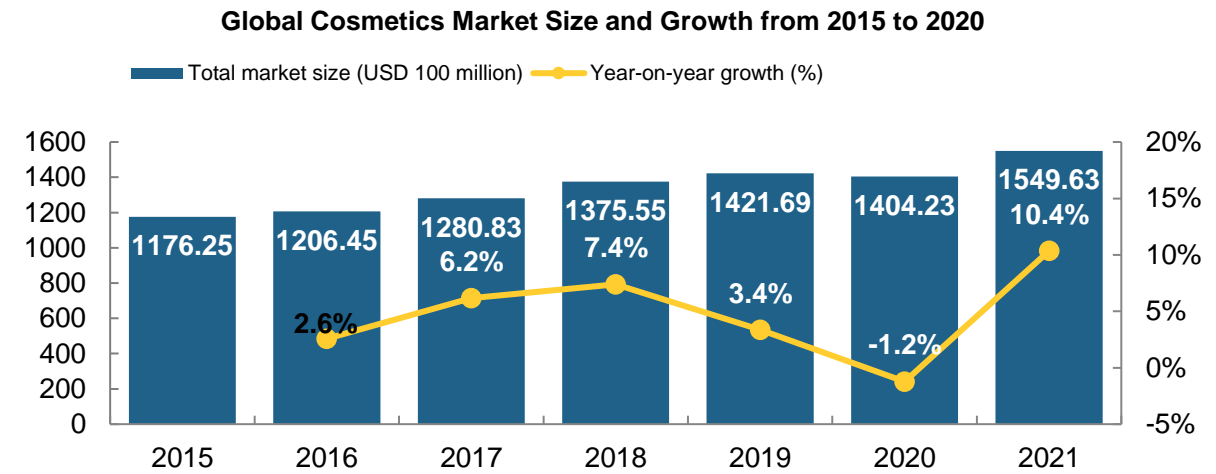


Cosmetics & Skincare Market: the cosmetics industry is constantly growing and evolving, with skin care products being one of the most popular categories.

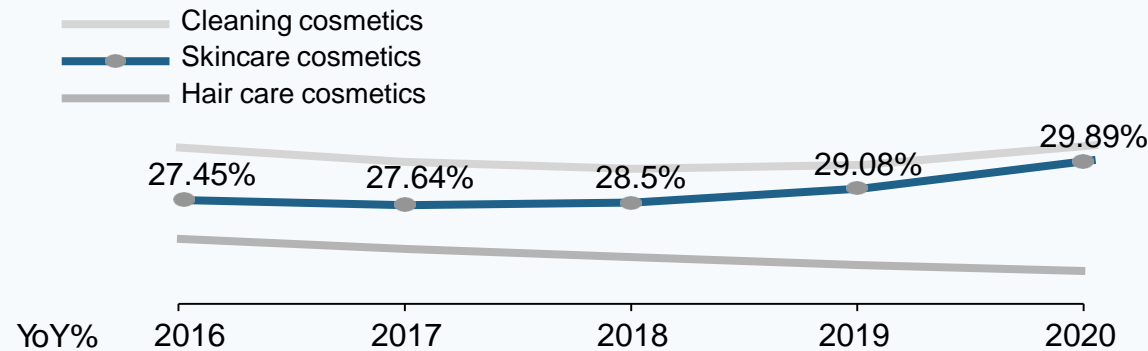
Trend 1: The global cosmetics industry is flourishing and skin care products make up a large portion



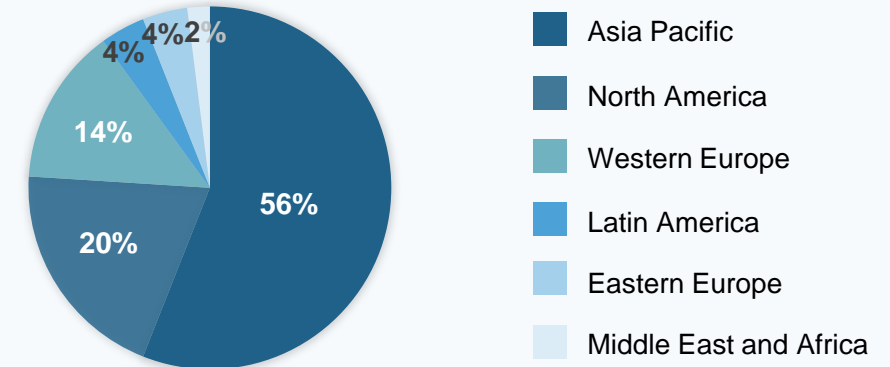
Trend 2: Skincare industry sees a continuous rise in market share globally, with Asia-Pacific as the main market



Change trend of global cosmetics product structure from 2015 to 2020 (unit :%)



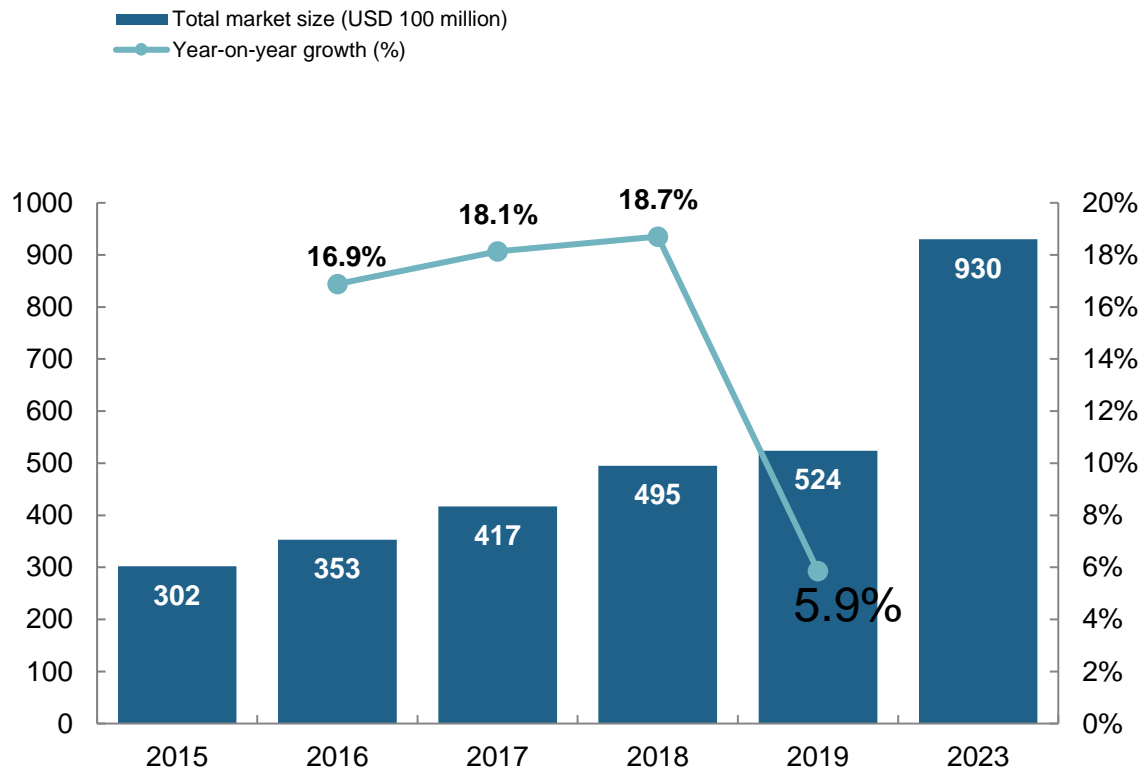
Regional proportion of global skin care industry scale in 2019 (unit :%)



Functional Skincare Market: in 2023, functional skincare market share is estimated at 93 billion dollars globally, with a market share of over 40% for emerging brands.

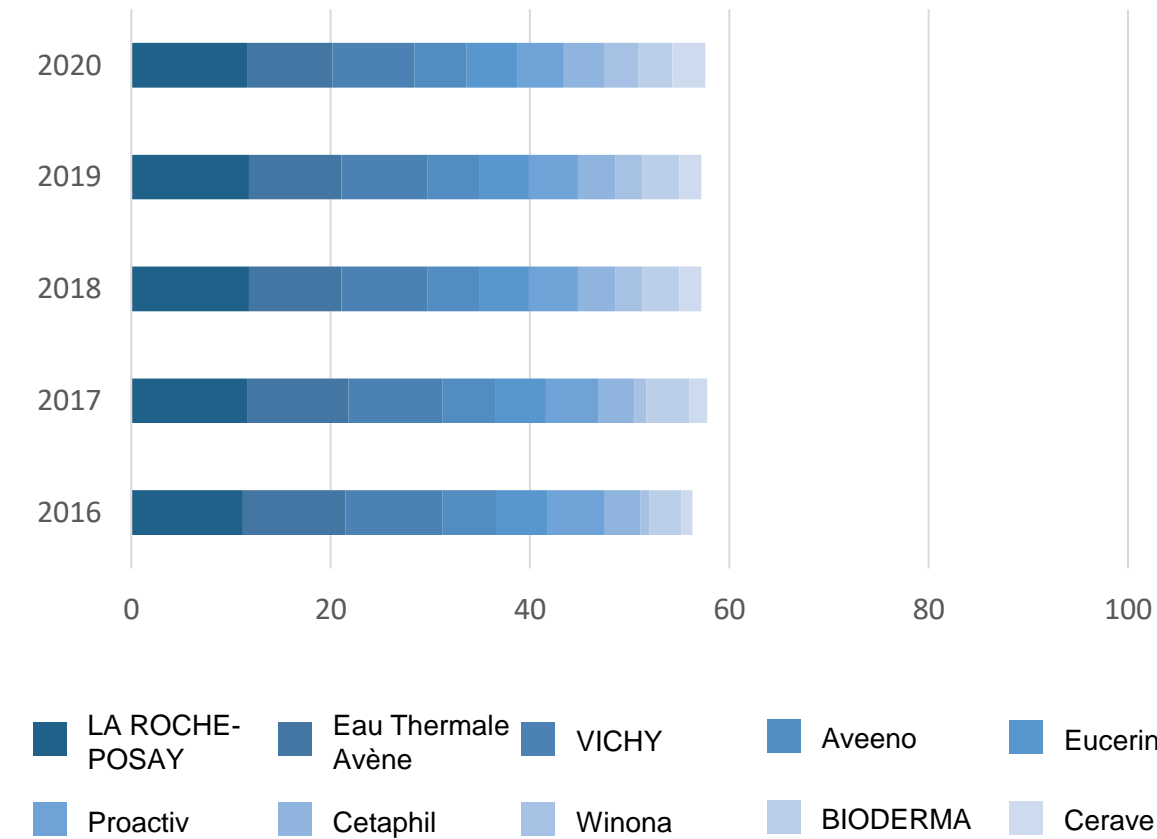
Trend 3: Consumers are becoming increasingly interested in functional skincare products.

Market size and forecast of global functional skin care industry from 2015 to 2023



Trend 4: Global emerging functional skin care brands have over 40% market share for growth

Market share of global top 10 functional skin care brands from 2016 to 2020 (%)



FRÉ has entered in 51 countries and regions, except for mainland China.

41 of these countries and territories are in Europe



Strengths & Weakness of FRÉ: FRÉ has the advantage of patent, CSR and management experience, but is at a disadvantage in terms of advertising

Strengths

Suitable for the European market



- Rich experience in **team management**
- High sense of **social responsibility**
- Aim to **empower women**

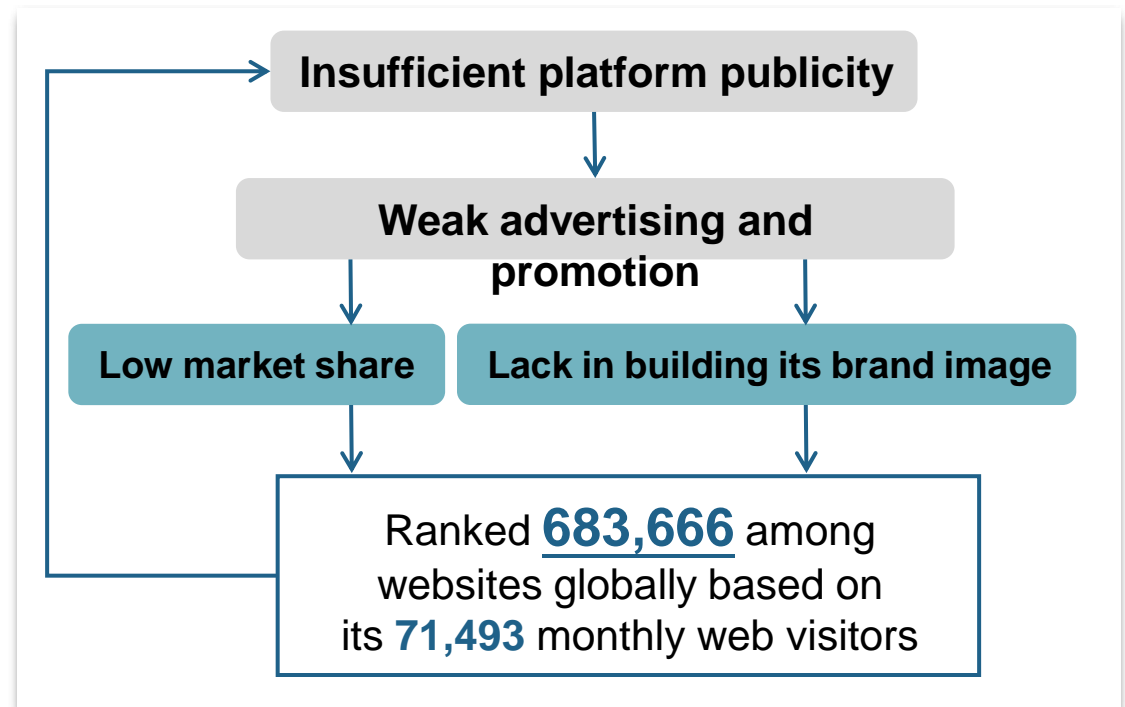


- Unique **patent**
- Products follow the rules of **sustainable development**
- FRÉ Skincare is **100% vegan**

FRÉ will be popular for the East Asian market

Weakness

Didn't make it in the European market



FRÉ will make it in Chinese mainland market

China has a well-established advertising system, which makes up for FRÉ's disadvantages and helps it enter the functional skincare circuit

problem

European and American markets

- *FRÉ's platform performance is average*
- *Weak marketing and promotion ability*
- *No product differentiation*

Chinese mainland market

- *Crowds who care about fitness and skincare are gradually increasing*
- *The Chinese market has a mature advertising system*
- *Differentiation due to the ingredients*

Aim

FRÉ's Aim in Chinese Market

Export to Asia Pacific market

Enter the functional skin care circuit with niche market strategy

Top 10 of Chinese market share within 5 years

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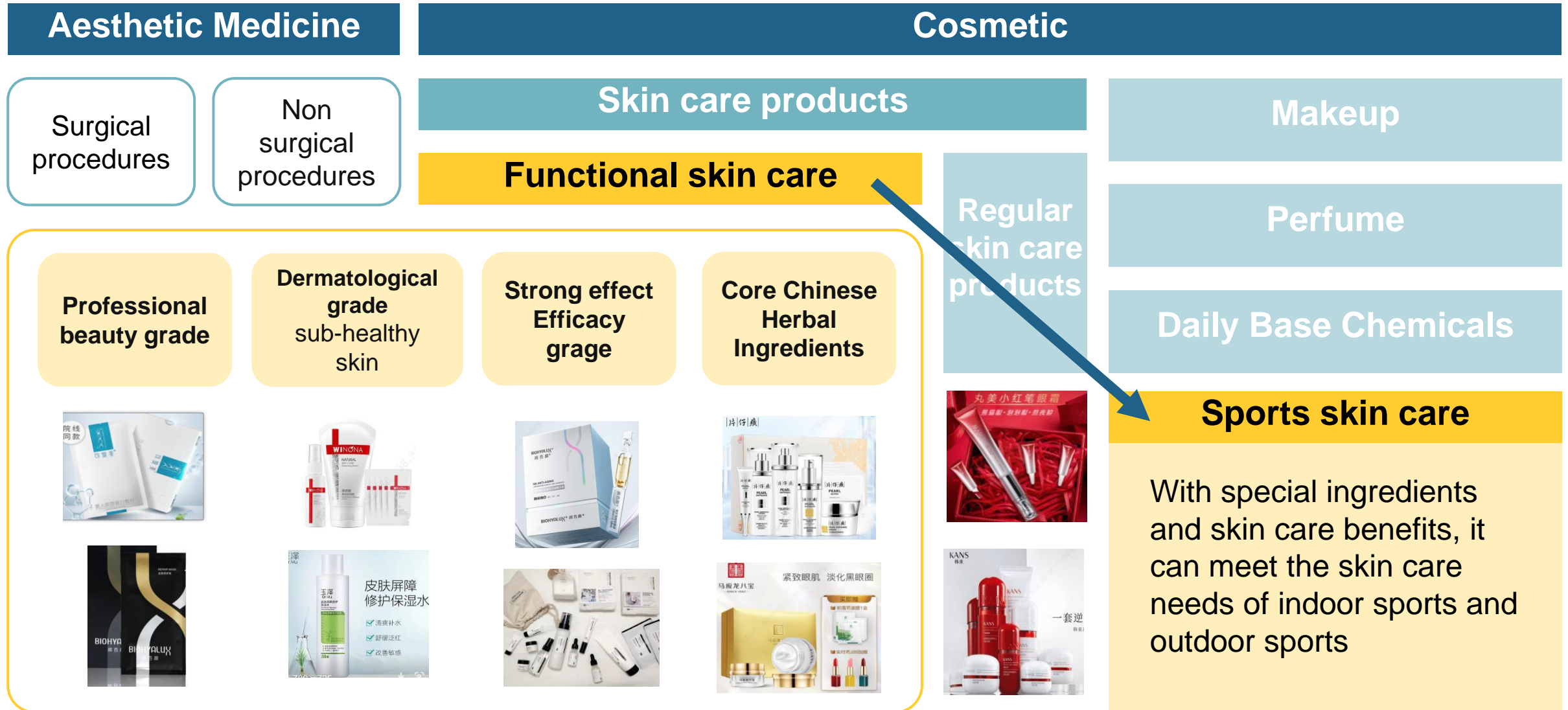
B. Part 2: Market Analysis

– *Chinese Functional Skincare Market*

- *Why do we enter in China?*
- *How is Chinese market of functional skincare?*

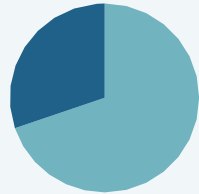
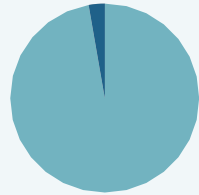
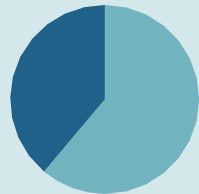
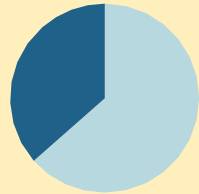


Functional skin care is between ordinary skin care and dermatological drugs, with more emphasis on safety and efficacy



The functional skin care markets in China and Europe are highly similar and are suitable for developing multinational brands

Functional skin care products and market conditions in major countries

	<u>Product features</u>	<u>Positioning & Price</u>	<u>Sales channels</u>	<u>Market concentration</u>
America	<ul style="list-style-type: none"> - high-tech technology - Powerful ingredients - Strong research background 	Low-grade \$0.17-0.26/ml Mid-range \$0.35-0.56/ml High-grade \$1.19-1.20/ml	Commonly used and sold in professional beauty salons and skin clinics	High CR5: 70% 
Japan	<ul style="list-style-type: none"> - Gentle repair - no addition 	Low-grade 13.90-15.33 yen/ml Mid-range 17.71-28.64 yen/ml	Drugstores are its main sales channel	Oligopoly competition CR5: 97% 
Europe	Rich product line, using minerals from hot springs	Low 0.42 EUR/ml Mid-range 1.42-1.64 EUR/ml	Pharmacy channels create a professional image	High CR5: 61% 
China	<ul style="list-style-type: none"> - Popular Natural Ingredient Products - Focus on ingredient efficacy 	Mid-range 8-12 RMB/ml	Mainly online channels	High CR5: 64% 

The positioning of functional skin care products in major regions is dominated by mid-range products, with high industry barriers, a highly concentrated market, and large differences in sales channels.

PEST: The macro economy drives the rapid development of the cosmetics industry; Policies, technologies and demands jointly create the prospect of functional skin care

Political

- The new cosmetic regulation system heralds the era of Supervision 2.0
 - Companies with academic, scientific, and other strengths will flourish.
-

Social

- COVID-19 and the environment
- Young consumers are more aware of and attentive to skin care, while also paying attention to safety and efficiency
- Medical cosmetology, postoperative care, skin repair, and other demands



Economic

- China's macro economy has developed rapidly
 - "face value economy"
 - e-commerce penetration has increased for beauty and skin care products.
-

Technological

- As the fine chemical industry in China has developed rapidly
- Provide a "production-academic-scientific-research-pharmaceutical" supply chain

P Political: Policy and regulatory environment prompts high-quality emerging players to enter the functional skin care market

the State Council of China promulgated the **Regulations on the Supervision and Administration of Cosmetics** and the **Measures for the Administration of Registration and Filing of Cosmetics**.



Under the new regulations, **cosmetics that treat freckles**, whiten skin, provide sunscreen, prevent hair loss, remove acne, nourish and repair the skin should pass a human efficacy evaluation test.



Registration and filing requirements for domestic cosmetics now **include efficacy evaluation and a formula table**. The brand's core formula patent is therefore crucial.

benefit

Development of functional skin care products industry

Regulations have accelerated the removal of non-compliant cosmetic companies, brands with core R&D technologies will flourish;

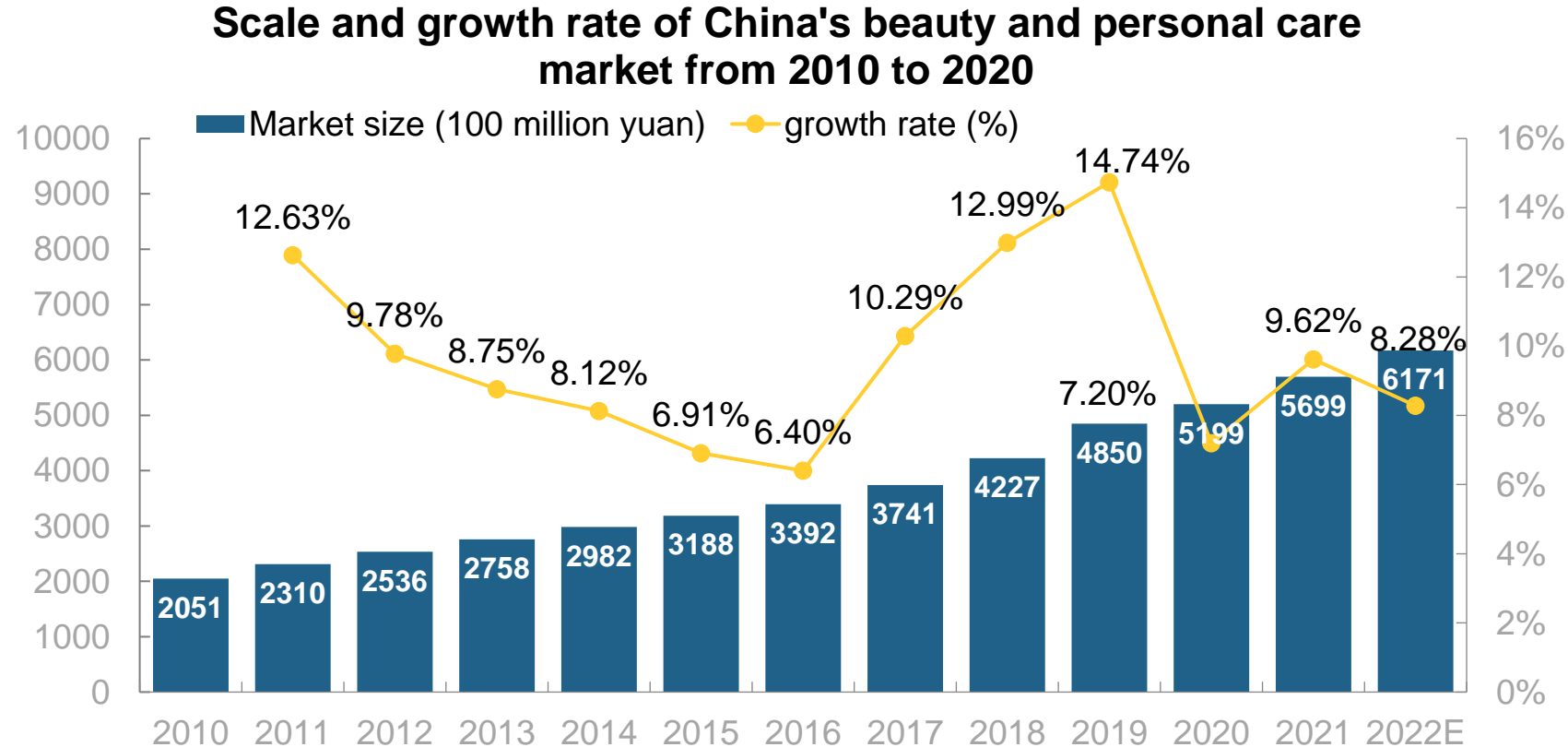
Regulations increase entry barriers for efficacy brands encouraging more brands with scientific and technological capabilities to enter the market.

In terms of regulations and policies, the new "Cosmetics Supervision and Administration Regulations" will go into effect on January 1, 2021.

The supervision of the cosmetics industry and the evaluation and review of efficacy claims have become more stringent, requiring cosmetic companies to possess certain R&D capabilities and product development capabilities.

E **Economic:** The scale of China's cosmetics market has reached 569.9 billion yuan, and residents' consumption of cosmetics and sports has increased

Trend1: The scale and growth rate of China's cosmetics market is rapidly increasing



There are many factors for its growth, such as:

the improvement of residents' spending power,

the development of Chinese local brands,

the release of consumer demand in sinking markets,

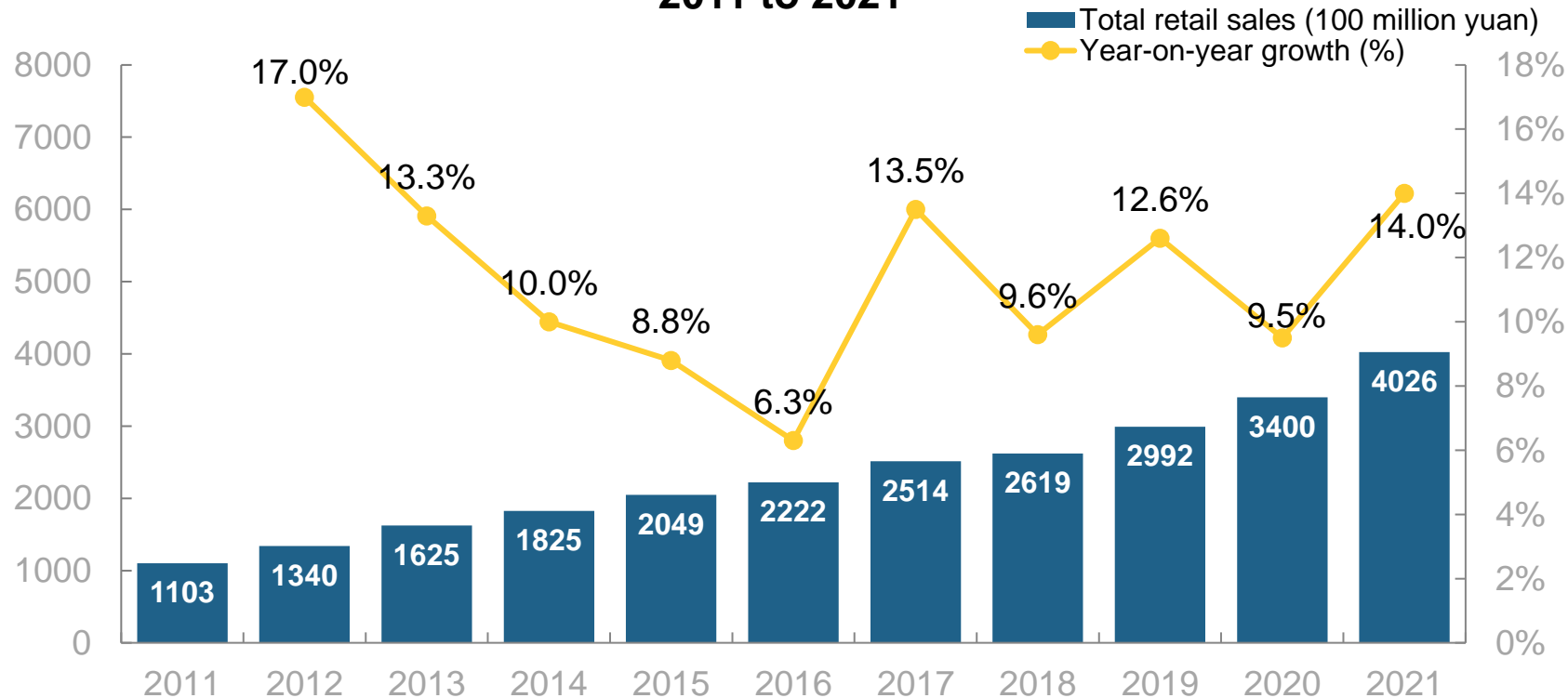
the rise of online sales channels.

China's beauty cosmetics market will reach 569.9 billion yuan in 2021, and will reach 617.1 billion yuan in 2022.

E **Economic:** The scale of China's cosmetics market has reached 569.9 billion yuan, and residents' consumption of cosmetics and sports has increased

Trend2: China's cosmetics retail value will increase by 14% in 2021

Retail Value and Growth Rate of Cosmetics in China from 2011 to 2021



- Consumer demand for cosmetics is increasing.
- The rapid development of the Internet and e-commerce platforms has also gradually expanded the influence of the cosmetics industry.

The total retail sales of cosmetics in China will reach 404.6 billion yuan in 2021, an increase of 14% compared to last year.

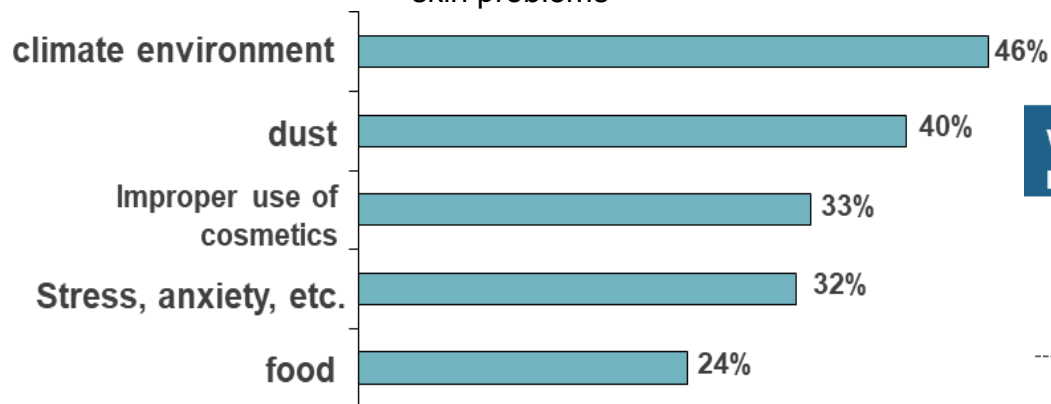


Social: Skin problems are frequent, Consumer attention is high, and the target groups of skin care + sport are similar

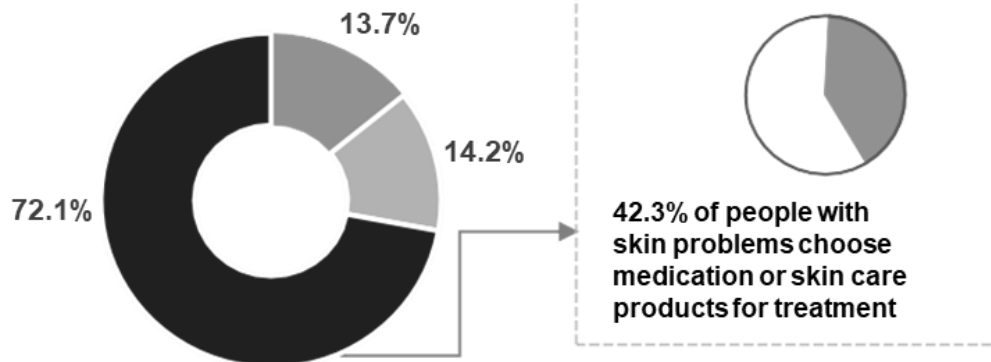
Factors that cause skin problems

Unit: [percent]

■ The proportion of factors that cause skin problems

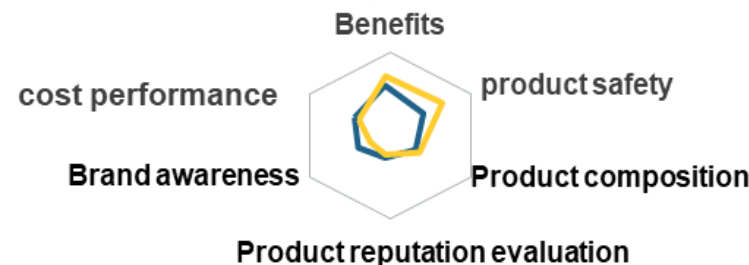
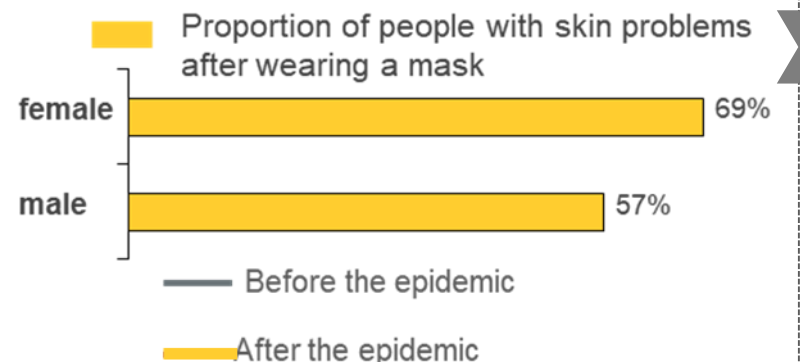


■ healthy skin ■ sub-healthy skin ■ have skin problems



“COVID mask face” causes skin problems

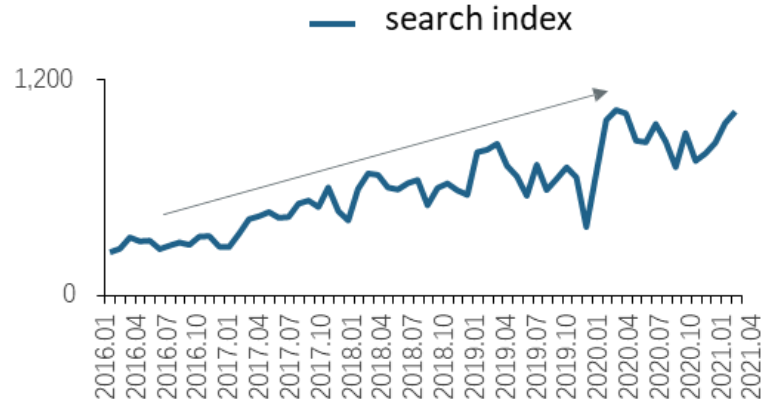
Unit: [percent]



- Various factors lead to skin problems, and the demand for treatment of skin problems increases
- Consumers pay more attention to the efficacy and safety of skin care products after the COVID, as long-term mask use causes new skin problems.

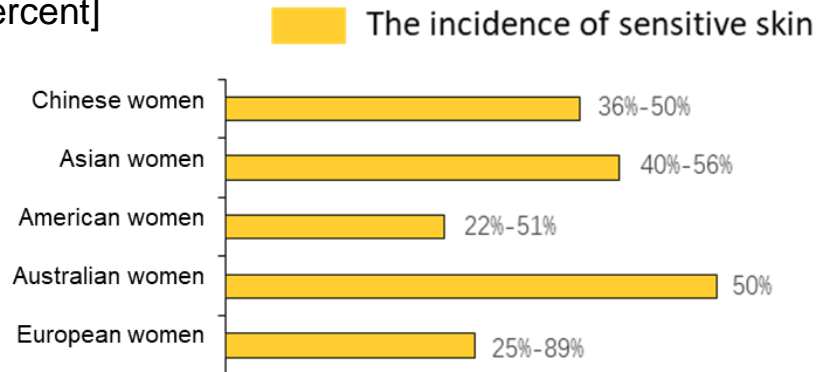
S **Social:** Skin problems are frequent, Consumer attention is high, and the target groups of skin care + sport are similar

Sensitive skin search popularity, 2016.01-2021.04



Incidence of sensitive skin by region and country, 2020

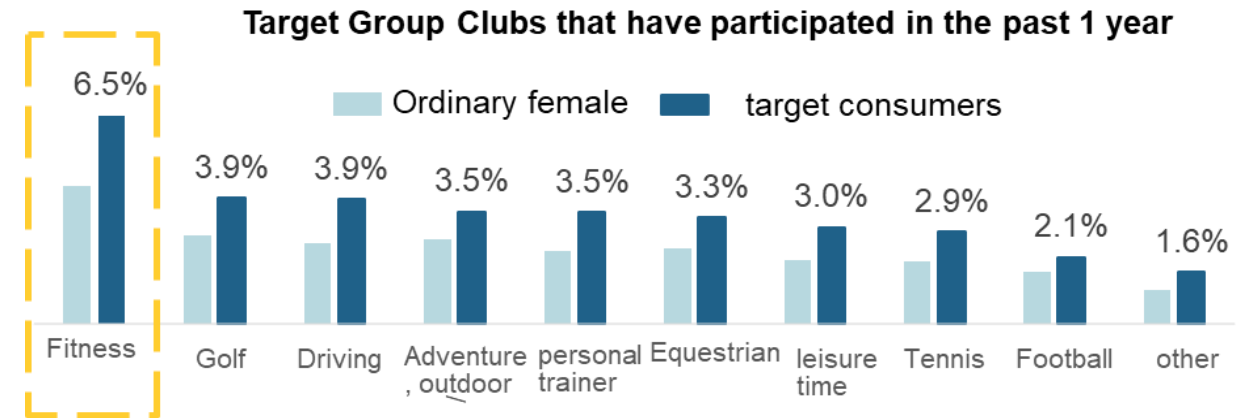
Unit: [percent]



Sensitive skin problems are highly searched for by consumers. From 2016 to 2020, the search index increased from 239 to 1,020. According to surveys, Chinese women are prone to skin problems.

Sports are high-frequency activities for cosmetic consumers

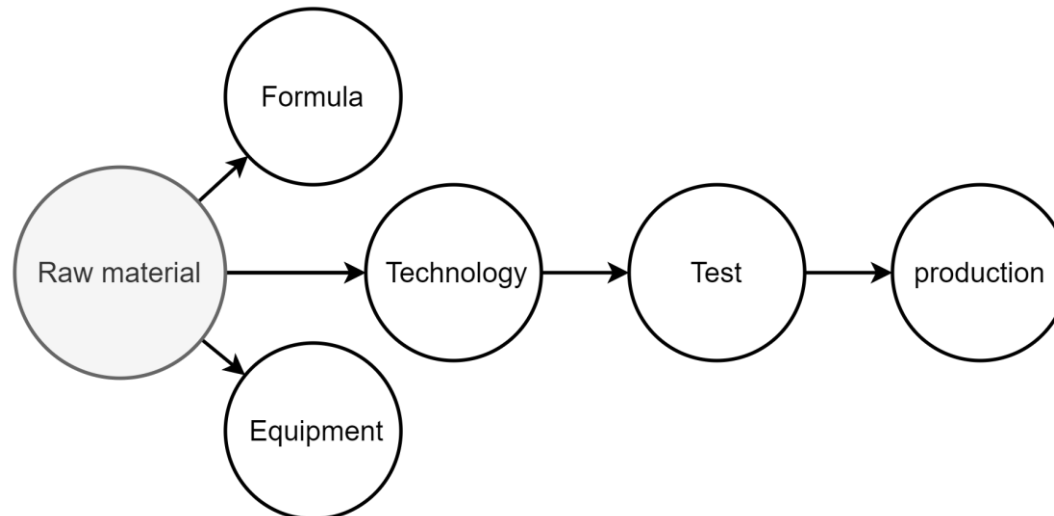
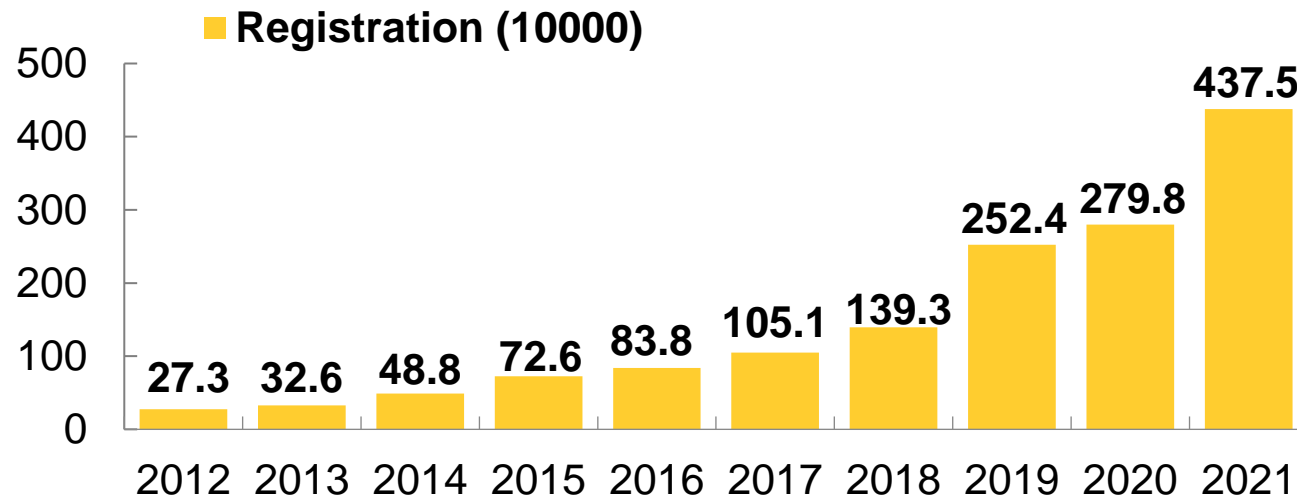
Over 40% of the target group of cosmetics have exercised 1-5 times a week in the past 1 year, exceeding 50.0%.



- Fitness and exercise are high-frequency monthly activities for cosmetic consumers.
- Therefore, the two have similar characteristics in the target group.

T Technological: The number of cosmetic companies is growing, raw materials and formulations are being developed to improve cosmetic quality

Registration of cosmetics related enterprises in China



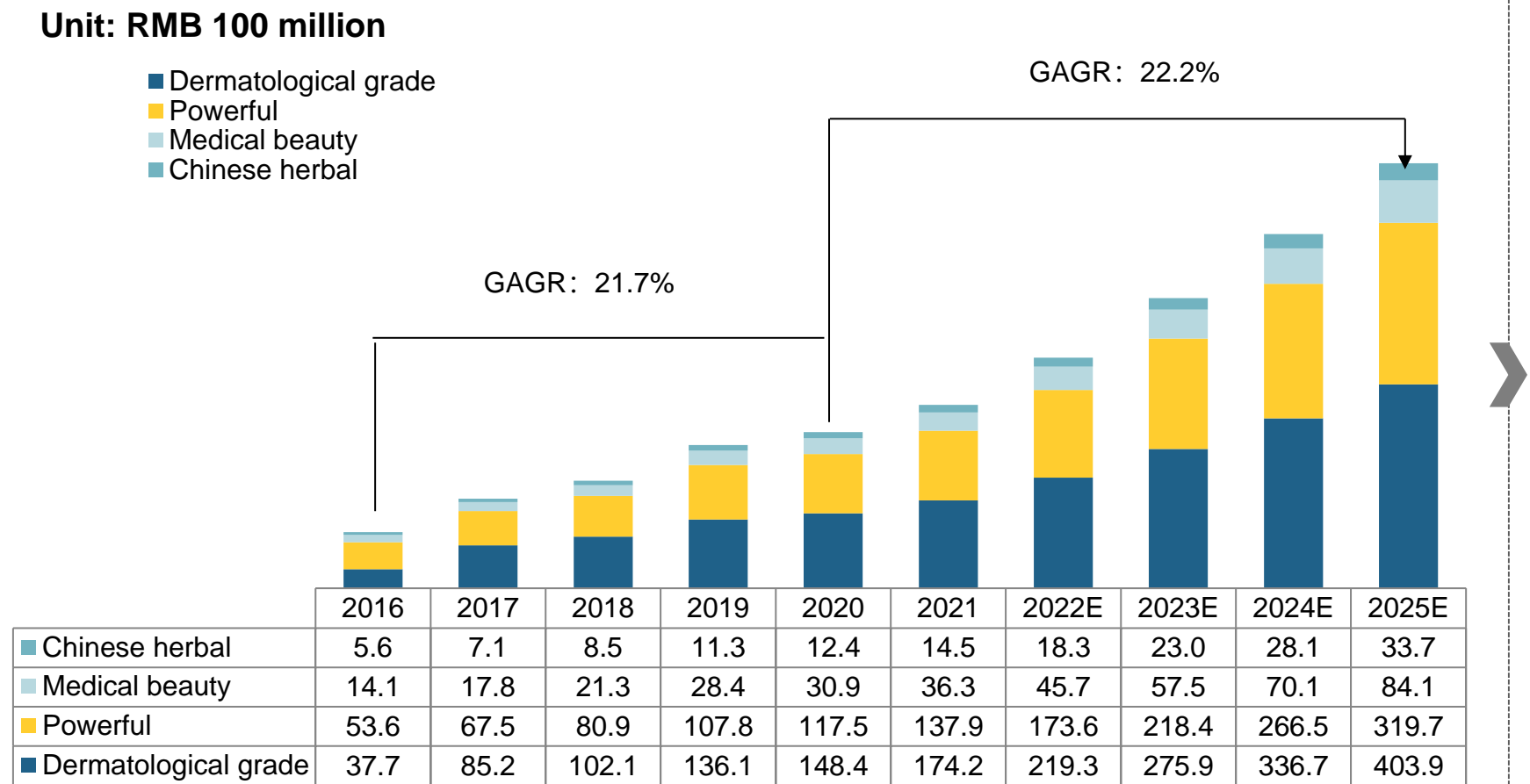
There has been an increase in Chinese cosmetic companies' registrations since 2012.

The technical level of each link has evolved rapidly, from raw materials to processes to production.

As a result, the development of technology in the cosmetic industry also ensures the safety and efficacy of products.

China's functional skin care market size: The development of China's functional skin care products industry is expected to reach 84.14 billion yuan in 2025

China's functional skin care products industry market size (in terms of sales), 2016-2025E



There has been an increase in Chinese consumers' willingness to spend on functional skin care products

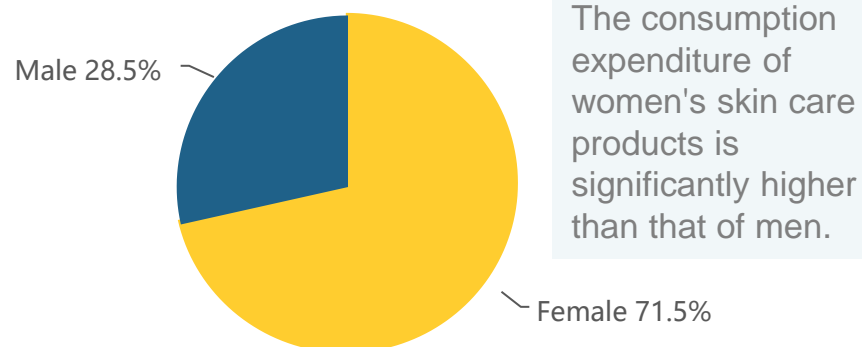
With the development of the medical beauty industry, the number of consumers with medical and beauty repair needs has increased

According to estimates, China's functional skin care products industry will grow by 22.2% from 2021 to 2025.

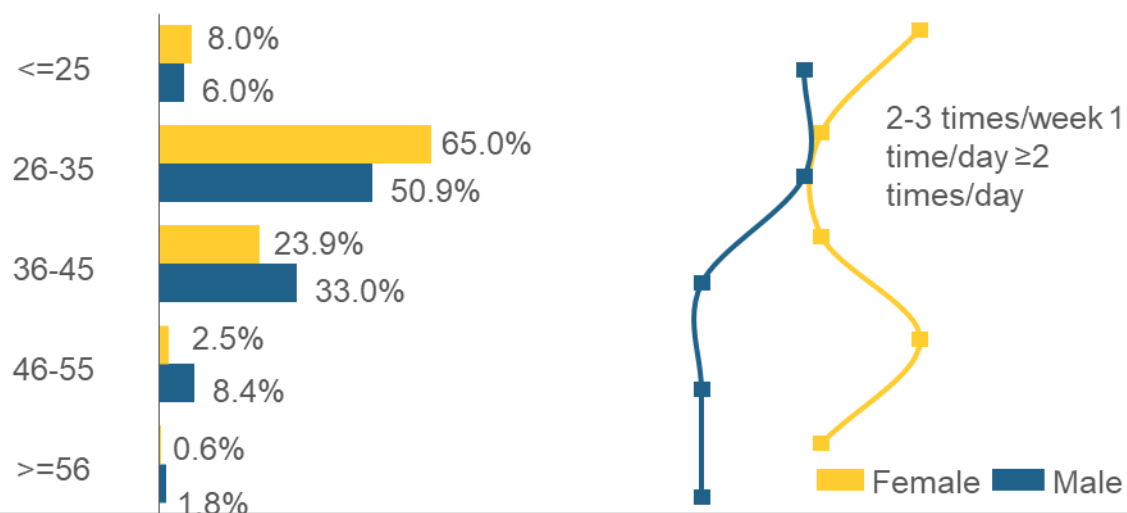
Consumer portrait for functional skin care products in China:

1 Changes in skin care concepts and a stronger willingness to spend by women

Distribution of male and female users of functional skin care products in China in 2021

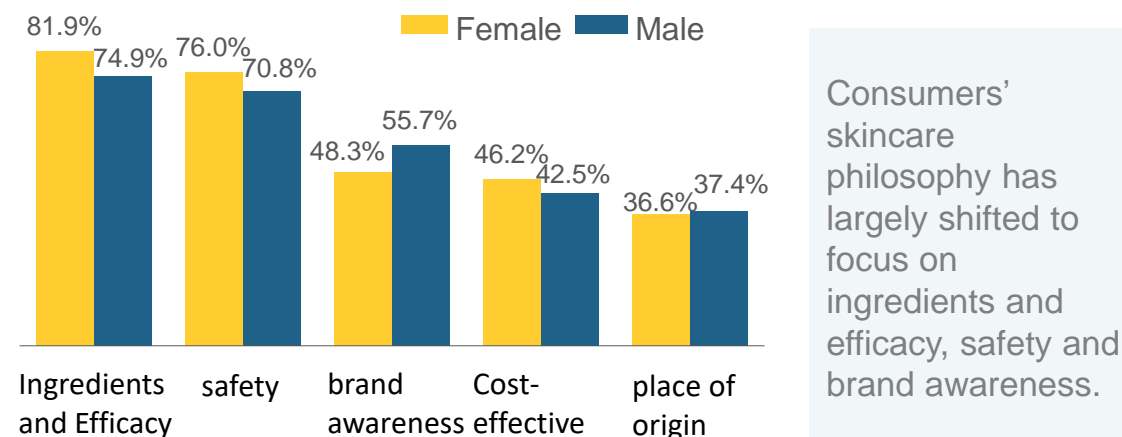


Age group and frequency distribution of skin care for men and women in China in 2021

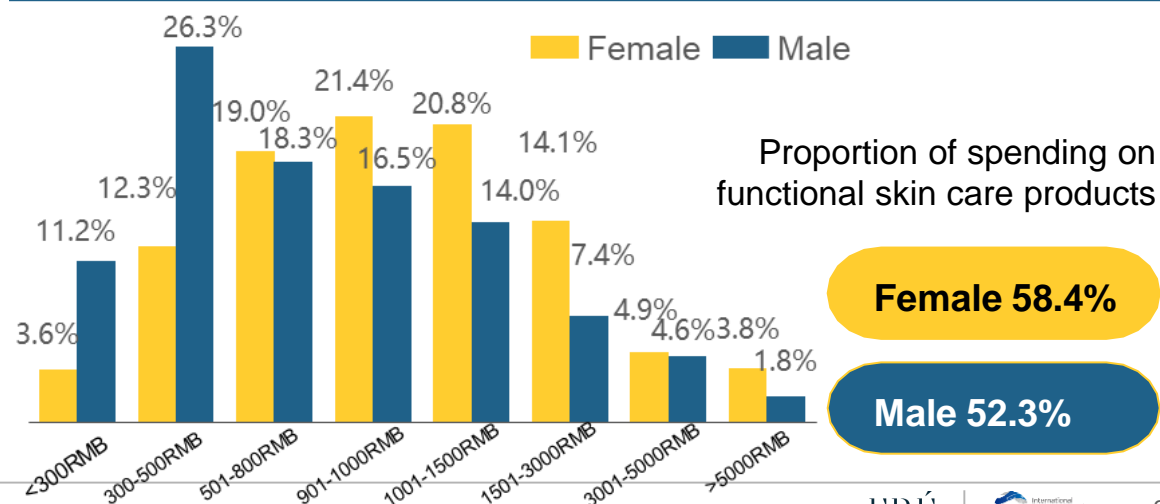


Source: iResearch. Sample: N= 1000

2021 Trend of Changes in Skin Care Concepts of Chinese Functional Skin Care Products Consumers



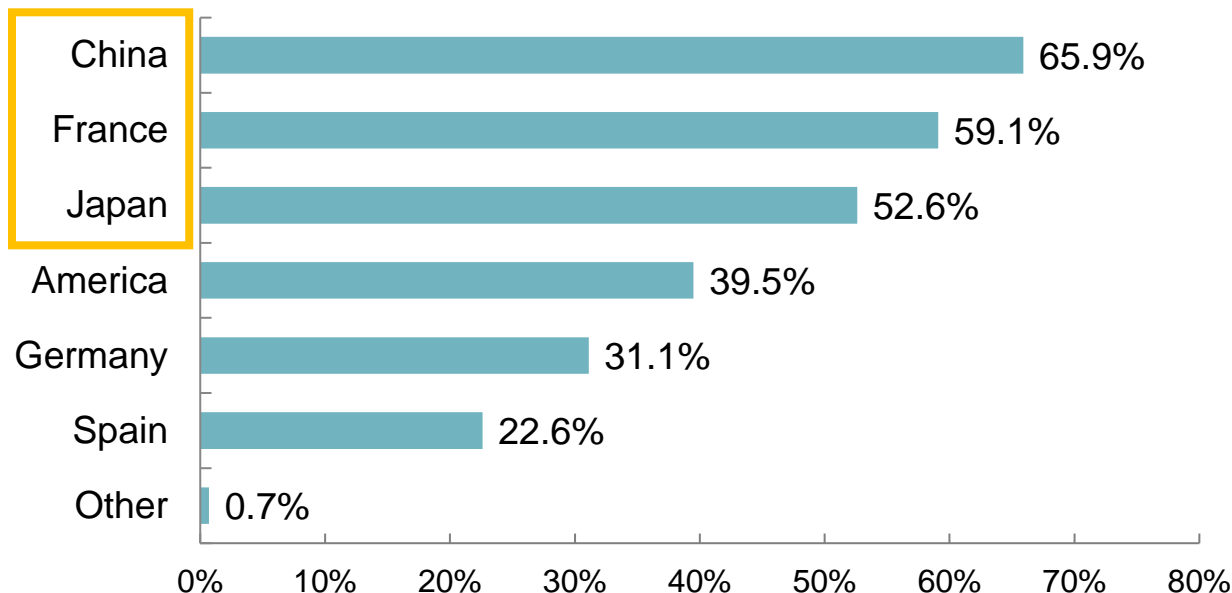
Distribution map of monthly consumer spending on skin care products of Chinese consumers in 2021



Consumer portrait for functional skin care products in China:

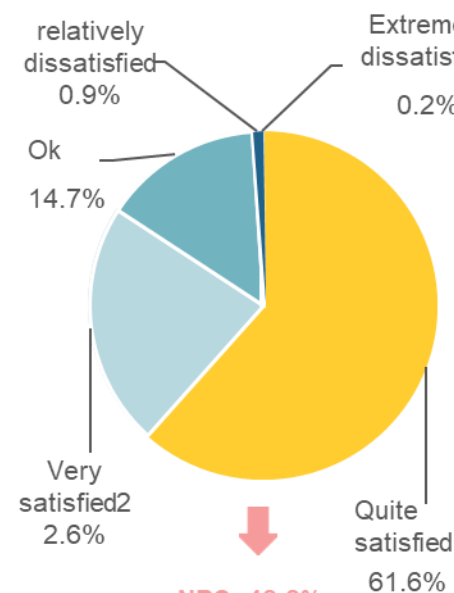
2 Overseas efficacy skin care products have high sales and satisfaction

Ranking of Origin of Functional Skin Care Products Purchased by Chinese Consumers in 2021



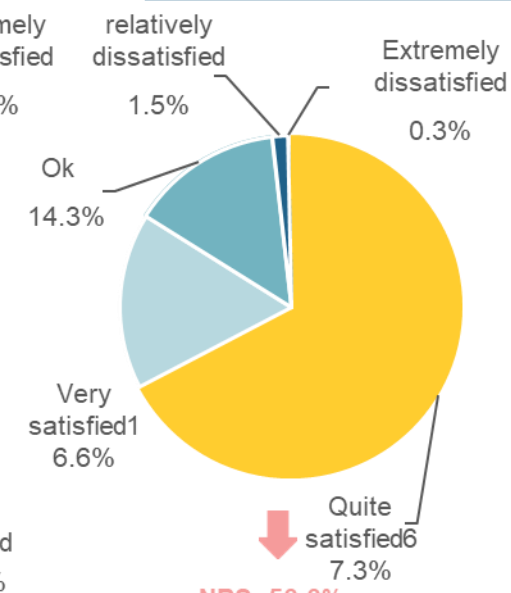
Satisfaction and NPS of domestic/foreign functional skin care product brands in 2021

Chinese brands



NPS=48.8%

Overseas brands



NPS=50.0%

Comparing consumers' satisfaction with domestic and foreign brands of functional skin care products, it can be concluded that Chinese consumers are slightly more satisfied with domestic brands than foreign brands.

On the contrary, the NPS of foreign brands is 50.0%, and the recommendation degree is also high. Therefore, Chinese consumers have a certain favorable impression of overseas functional skin care brands.

Competitor-Direct competitor: "ZHIZHUO" has completed the market education, the efficacy-based skin care brand is highly professional but weak in scenarios

"ZHIZHUO": The first sports skin care brand in China



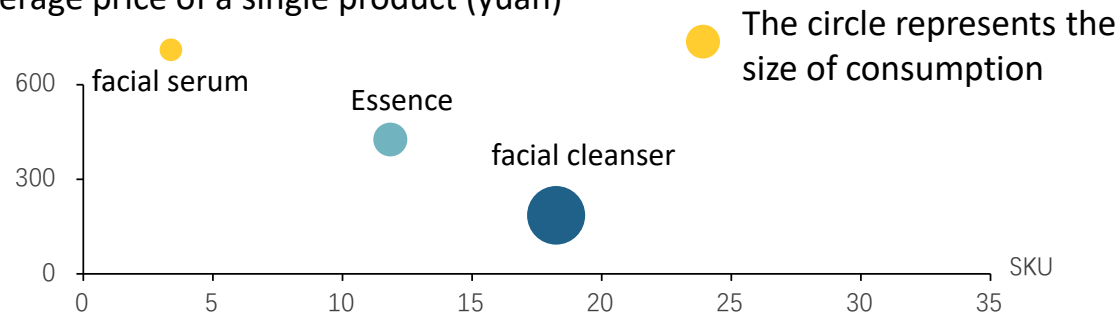
Company name: ZHIZHUO

Established: 2019

Main business: for 25-35 year old fitness people, focusing on sports skin care, and advocating the brand attitude of "persistence". Emphasize scenario marketing.

Main product structure layout

Average price of a single product (yuan)



Source: Group 4F Analysis

Brand strategic superiority

Co-branded channels

Strategic cooperation with well-known fitness chain group "Good feeling fitness"

Create a professional image

Online channels

Layout of online Taobao channels in 2019

Rapid development of online channels

Live channels

Develop online live marketing

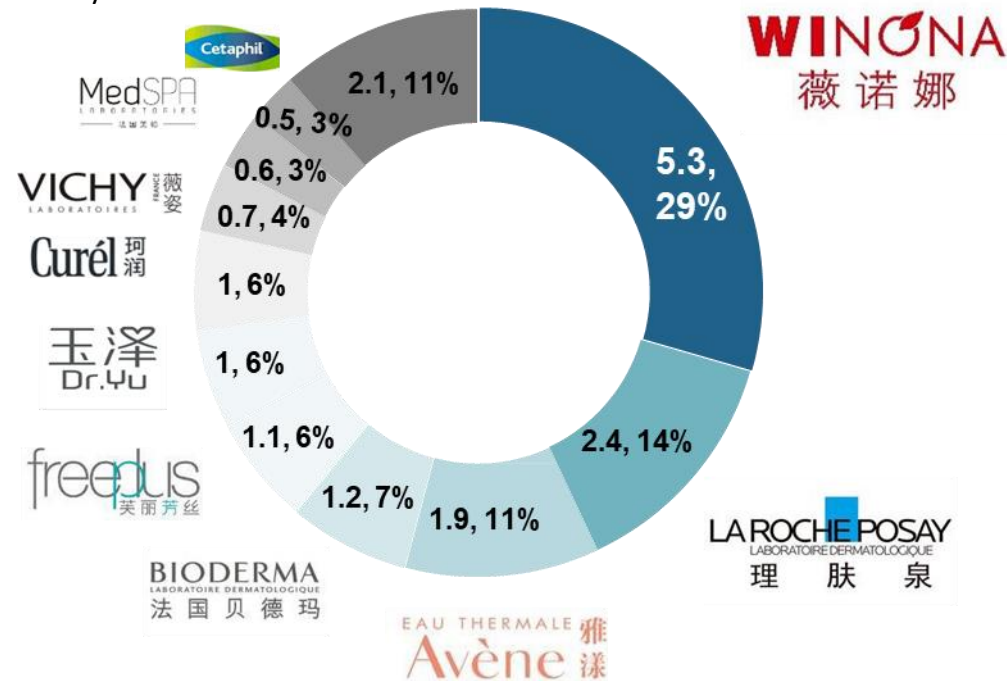
Online channels continue to increase



Competitor-Direct competitor: "ZHIZHUO" has completed the market education, the efficacy-based skin care brand is highly professional but weak in scenarios

Top 10 market share of dermatological Grade skincare brands in China

Unit: billion yuan



index	Scale (100 million yuan)	proportion
2021 Dermatological Grade Skincare Scale	181.0	
CR1	53.1	29%
CR3	97.5	54%
CR5	121.0	67%
CR10	159.6	88%

WINONA
薇诺娜

2021:

Operating income of 4.01 billion yuan
(according to the annual report)

- Online: 3.30 billion yuan, accounting for 82%
- Offline: 710 million yuan, accounting for 18%

Sales of 5.31 billion yuan

- Online: 4.14 billion yuan, accounting for 78%
- Offline: 1.18 billion yuan, accounting for 22%

LA ROCHE POSAY
理肤泉

(estimated)

2021

Sales of 2.44 billion yuan

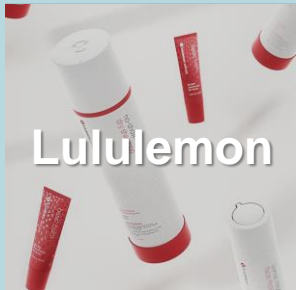
- Online: 1.39 billion yuan, accounting for 57%
- Offline: 1.05 billion yuan, accounting for 43%

Competitor-Indirect competitor: Sports brand's skincare line does not yet have an established sports skincare product portfolio

Brand

Product Focus

Star Products



Product Line: **Self Care**

Focus on **deodorizing products** after exercise, large bottles of **personal care products**, dry cleaning products



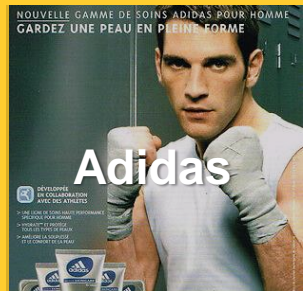
No-Show Dry Shampoo



Sweat Reset Face Moisturizer



Anti-Stink Deodorant Aloe Lotus



Product Line: **Skincare for Men**

More focused on **men's post-exercise cleaning products** and **antiperspirant products**



Sports event joint product set

Company - SWOT

Strengths

-
-

**Strong material
supply-chain**

**Multifunctional and
effective formula**

**Natural ingredients:
More acceptable to
customers**

Weaknesses

**Low brand-
awareness in China**

**Relatively higher
prices than Chinese
domestic products**

Opportunities

**- Both of sports and
skincare market in China
are growing rapidly**

**- Sports skincare
products for women
haven't received much
attention**

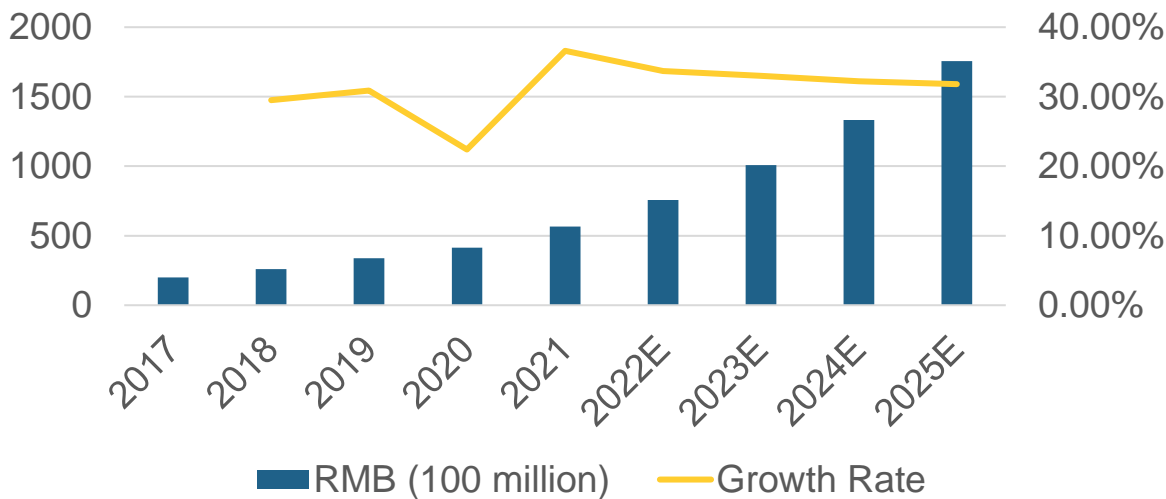
Threats

**Competitors and new
entrants**

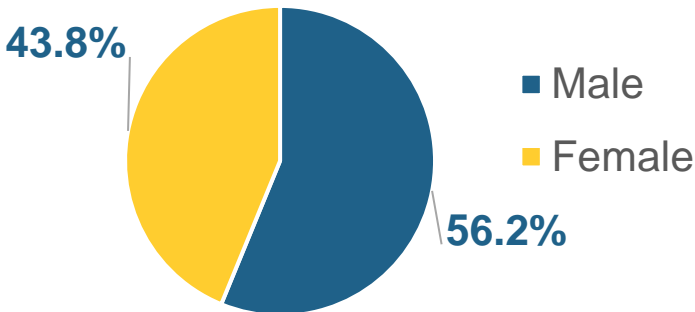
**Substitutes due to low
awareness to use
sports skincare
products**

SWOT: Opportunities

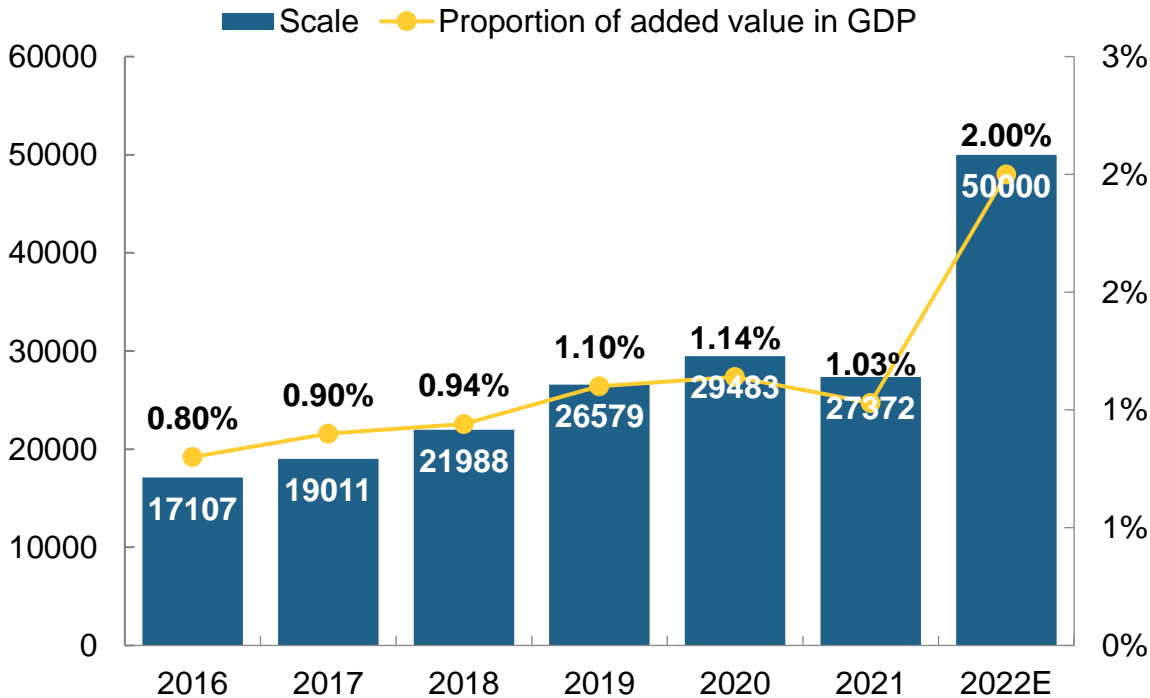
Market size of functional skin care products from 2017 to 2025



Gender distribution of sports and fitness apps



The scale trend of China's sports industry from 2015 to 2025 (100 million yuan)



Company - SWOT

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-

**Strong material
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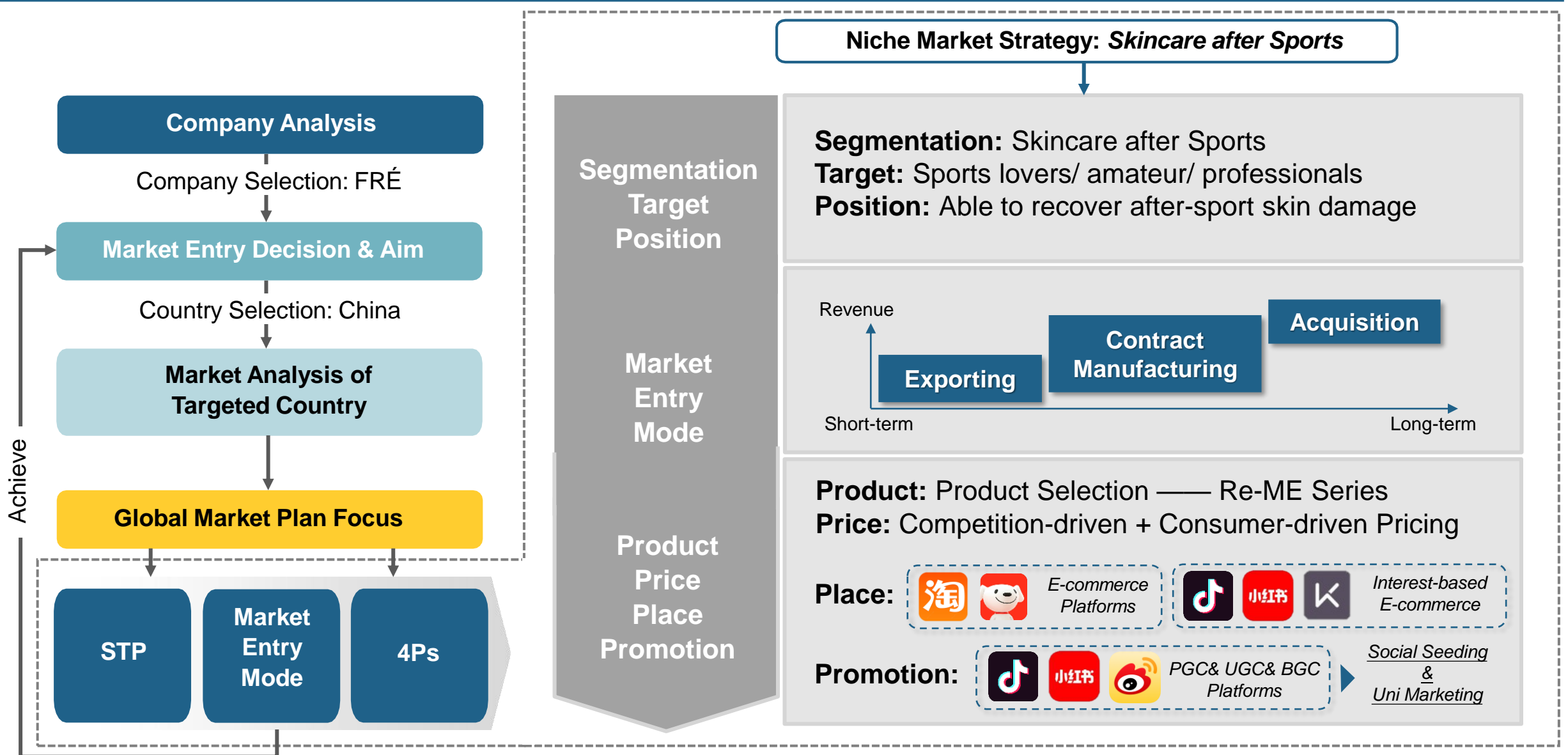
C. Part 3: Global Market Plan Focus

– *Niche Market Strategy*

– *Briefly, how is our future plan in chinese market?*



Global Market Plan Focus: to achieve global marketing entry aim in China, FRÉ may adopt “Niche Market Strategy” to be a top brand in Skincare after Sport in China



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D. Conclusion



FRÉ

Conclusion

1. Why FRÉ and market entry decision?

- (1) Functional skincare products are more popular in the Asia-Pacific market, but FRÉ is mainly engaged in the European market
- (2) Functional skincare in the international market still has a large share to occupy
- (3) For the growth of the company, we believe it is time for FRÉ to make further inroads into the Asia Pacific market with its advanced global management experience



Conclusion

2. Why do we enter in China?

- (1) The Chinese government is gradually easing its restraint on the policy of new functional skincare products
- (2) China is the world's second largest market for skincare products and the overall size of the market is large and growth is fast
- (3) Chinese consumers are increasingly dependent on functional skin care products
- (4) China's functional skin care industry chain is complete, skin care technology is developing fast



Conclusion

3. How is Chinese market of functional skincare?

- (1) Functional skincare market in China's overall growth is fast and the future development prospects are good
- (2) In terms of competitors, direct competitors still have their corresponding disadvantages, while brief competitors also have great defects in the professional efficacy



Conclusion

4. How is our future plan in Chinese market?

(1) In the future, we will focus on “Skincare after Sports”, based on the niche market strategy, and attract more consumers to buy FRÉ so as to occupy more market share and strengthen our competitiveness



Contents

E. Reference



FRÉ

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